

## Seventeen Agreed Proposals to Defense Trade Security Initiative

On May 24, 2000, at a NATO ministerial meeting, the Secretary of State announced a set of seventeen measures known collectively as the Defense Trade Security Initiative (DTSI). The initiatives originally applied only to NATO countries and non-NATO major allies but were expanded in June 2001 to include Sweden. The initiatives, with Sweden added, as appropriate, are:

1. Major Program License: With respect to NATO, Australia, Japan or Sweden, a single, comprehensive license (including hardware, technical data, defense services) issued at the beginning of a project where the U.S. firm is the prime contractor. The license to permit a consistent line of supply from one single end-user to another or to identified subcontractors as well. A major program license can cover a wide range of ventures, including projects for the commercial development of defense articles. Licenses can be valid for up to 10 years (vice the current maximum of a 4-year license). The U.S. firm will need additional licenses only when activities or transactions extend beyond the initially approved license parameters.
2. Major Project License: A single comprehensive license for a major commercial sale of defense articles to NATO, Japan, Australia or Sweden. This license would permit the U.S. prime contractor to define the parameters of an export license that would cover all or some of the exports associated with the sale. Once these parameters were defined with the USG, and contractor (either at the prime or sub-tier) would have smooth and expedited processing of its export license request for something within the project, as long as the export is within the parameters of the Major Project License.
3. Global Project License: With respect to NATO, Japan, Australia or Sweden, a single, comprehensive license to cover all exports planned to occur under a government -to-government international agreement for a cooperative project. DoD will define a standard set of terms and conditions that will apply to all phases and activities identified in the international agreement. Once a firm receives an initial license permitting it to participate in some aspect of the project covered by the international agreement, it would need additional licenses only for activities that exceed the standard terms and conditions and/or exceed
4. Technical Data Exports for Acquisitions, Teaming, Arrangements, Mergers, Joint Ventures and Similar Arrangements: A single, comprehensive export authorization to permit qualified U.S. defense companies to exchange a broad set of technical data necessary for teaming arrangements, joint ventures, mergers, acquisitions, or similar arrangements with qualified foreign firms from NATO, Japan, Australia or Sweden. Unlike export authorizations for marketing, this authorization would cover the much broader range of technical data needed to assess with some degree of depth and transparency opportunities for such undertakings.

5. Enhance the Use of Multiple Destination Licenses: Try to increase use of multiple destination licenses, that permit U.S. firms to market specific products to specified end-users for specified end-uses. Using this license establishes a de facto sales territory, since there is a presumption of approval for sales to those end-users that were approved for marketing.
6. Enhance the Use of Overseas Warehousing Agreements: Try to increase the use of overseas warehousing agreements that permit U.S. firms to export large numbers of items (e.g. spare parts) to a foreign company (including U.S. subsidiaries incorporated overseas). The warehousing agreement authorizes the foreign company to re-export the parts to a list of pre-approved end-users for specified end-uses.
7. Expedited Licensing Review for NATO: Expedite USG review of export license applications for Defense Capabilities Initiative (DCI) projects or programs.
8. Special Embassy Licensing Program: Expedite USG review of license applications submitted by the governments of NATO countries, Japan, Australia and Sweden via their embassies in Washington, D.C. for end use by the requesting government.
9. Interagency Export License Electronic Control Process: State and DoD will enhance computer connectivity between DoD and DTC to permit greater and more timely exchange of data on license applications.
10. Extension of ITAR Exemption to Qualified Countries: An ITAR exemption would be extended to countries that share with the United States congruent and reciprocal policies in export controls, industrial security, intelligence, law enforcement, and reciprocity in market access. This exemption would be limited to unclassified exports to the foreign government and to companies who are identified as reliable by the U, S. government in consultation with the foreign government. This exemption would be contingent upon establishment of appropriate international agreements on end use and retransfer of defense items, services and technical data and on close conformation of essential export control principles. It is envisioned that the UK and Australia are the two countries most ready to take advantage of this exemption. (Discussions with the UK and Australia are underway.)
11. Defense Services Exemptions for Maintenance and Maintenance Training: Created a new ITAR exemption for increased levels of maintenance services and maintenance training for NATO countries, Japan, Australia and Sweden, if such repairs provide no upgrade to the equipment's original capability and do not include the transfer of manufacturing designs, information or know-how.
12. Exemption for DoD Bid Proposals: This proposal permits U.S. firms to export certain technical data and services in support of DoD bid proposals without a license.

13. More Effective Use of Existing ITAR Exemptions by DoD: DoD will clarify how DoD Components should use existing ITAR exemptions that are available to them.

14. Streamlined Licensing for COMSAT Components/Technical Data: This proposal streamlined the licensing process for parts and minor components and limited technical data needed to bid on projects and respond to insurance request on COMSATS. This process will minimize the number of licenses needed to support COMSAT programs where all parties to the programs are NATO countries and as designated in section 517 of the Foreign Assistance Act of 1961 as a major non-NATO ally. The proposal has been developed by State and DoD in consultation with U.S. industry and is intended also to fulfill the requirements of Section 1309(a) of the FY 2000-2001 Foreign Relations Authorization Act.

15. ITAR Exemption for Foreign Military Sales Defense Services: This proposal permits the license-free export of technical data and defense services if they are expressly authorized in a Letter of Offer and Acceptance (LOA) and the underlying contract with a U.S. company. License free exports will be permitted for the duration of the LOA and the underlying contract.

16. Advanced Re-transfer Consent for Items Sold or Granted by the USG: This proposal permits the retransfer of defense articles previously sold or granted by the USG if (1) the articles are to be re-transferred only between the government of NATO countries, Japan, Australia which have already signed blanket end-use and re-transfer assurances; (2) the re-transfer involved only unclassified items that the recipient already possesses; and (3) the re-transfer involved articles with acquisition values of no greater than \$7 million.

17. Review/Revise the U.S. Munitions List: The process would involve a four-year review cycle, where one-quarter of the USML would be reviewed each year. The objective would be to comport what is controlled by the USML more directly with the Military Critical Technologies List.